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REPORT BY THE

Comptroller General

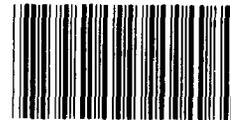
OF THE UNITED STATES

9937

Meeting Winter Heating Bills For Needy Families: How Should The Federal Program Work?

To alleviate the burden of high heating costs on low-income households during severe winter emergencies, the Congress has appropriated \$200 million a year for 1977, 1978, and 1979. The program, administered by the Community Services Administration and carried out by the States, paid utility bills and other energy-related costs for the needy. However, controls over eligibility and the distribution of funds were not managed well and there was no assurance that families in the greatest need were served first. The program must be strengthened if assistance is to be effective.

This report was requested by the Subcommittee on Manpower and Housing, House Committee on Government Operations.



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HRD-79-12
APRIL 26, 1979





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-130515

The Honorable Cardiss Collins
Chairwoman, Subcommittee on Manpower and
Housing
Committee on Government Operations
House of Representatives

Dear Madam Chairwoman:

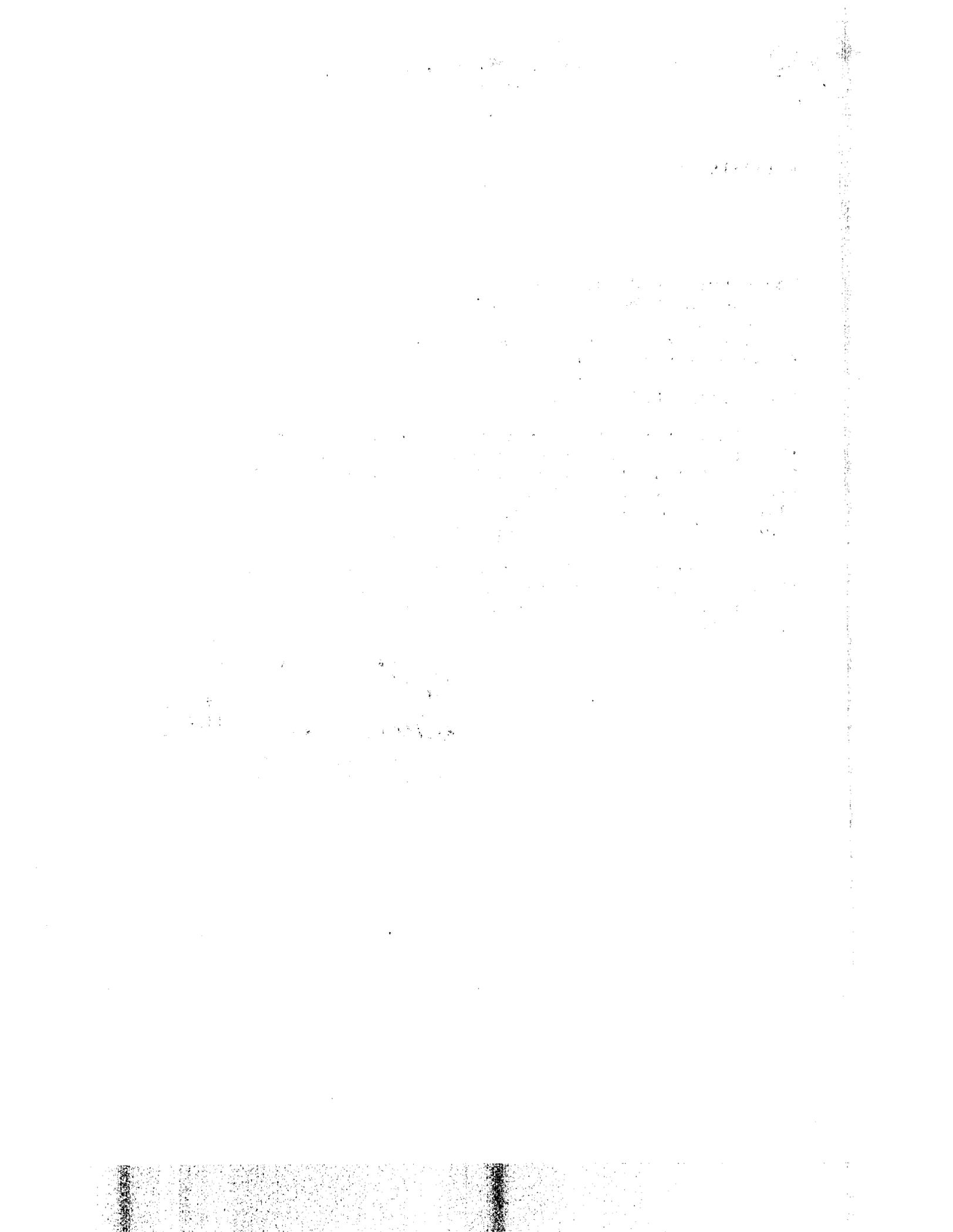
In response to your request by letter dated May 27, 1977, this report discusses the administration and oversight of the Special Crisis Intervention Program (which is administered by the Community Services Administration and the States), the allocation of its program funds, the use of its administrative funding, and its reimbursement of utility companies.

As arranged with your office, we are sending copies of this report to the agency, other interested congressional committees, the Office of Management and Budget, and other interested parties.

Sincerely yours

A handwritten signature in black ink, appearing to read "Thomas A. Steinhilber".

Comptroller General
of the United States



D I G E S T

A Federal program to prevent utility cut-offs to low-income families unable to pay heating bills is being renewed for the third year. The Congress appropriated \$200 million in 1977 and 1978; it is providing the same amount for 1979.

This Special Crisis Intervention Program is administered by the Community Services Administration. In the first year program funds were distributed to States based on the severity of the winter, the number of poverty households, the number of elderly in the households, and the regional fuel cost. States were to make sure that households with the greatest needs were served first and that priority was given to the elderly. Any residual funds were to be reprogrammed for home weatherization. Over \$163 million was distributed between June and September 1977 in 50 States, the District of Columbia, and two U.S. territories to over 1 million families requesting assistance.

However, State plans for identifying priorities and methods of payment could not be effectively reviewed and approved within program time constraints. Community Services Administration guidelines and criteria were not clear, with the result that allocations to local projects varied among the States.

Eight States designated no specific priority system. (See p. 8.) Other States adopted different priorities, including the provision of services to

- the elderly only and no other qualified recipients;
- all eligible recipients on a first-come-first-served basis, regardless of age;
- eligible recipients with power disconnects or outstanding fuel bills; or
- all eligible recipients with specific exclusions or limitations on payment.

With different priorities in use, the Community Services Administration could not be assured that local programs were alleviating crisis situations and serving households in the greatest need. Applications under the program were accepted between June and September 1977. GAO found that projects in two States visited were paying for summer utility bills.

ASSURING PROGRAM INTEGRITY

Four of the six States in GAO's review were unable to provide adequate administrative funds to support local project operations. Delays were experienced in securing appropriations because State legislatures had to act on short notice. Some States that had not experienced a severe winter restricted administrative support; in these States program monitoring was either reduced or eliminated, and local projects were forced to limit outreach, eligibility verification, and delivery of service to prospective program participants.

The Community Services Administration provided general guidelines for State plan development. But, due to time constraints on evaluating State plans, the Community Services Administration had limited input into the control procedures that were adopted by the States, and many State plans were approved without fully responding to all of the Community Services Administration's requirements. In the six States in GAO's review, agreements were

eventually reached with most fuel dealers. However, the States and local project officials were unable to establish effective controls for assuring applicant eligibility or for preventing duplicate payments on behalf of participants.

At some projects families applied twice for assistance, and their applications were certified and the utility dealer was paid twice. While most States relied on local checks or State controls to verify duplicate assistance requests, one project established its control for preventing duplicate payments by requesting that energy dealers notify it if dual payment was received for the same individual.

GAO found that local project procedures permitted participants to be certified on their word, without effective methods for followup verification. State audits also disclosed difficulties in eligibility determinations. (See pp. 18 and 19.)

MODIFYING THE PROGRAM APPROACH

In March 1978, following another severe winter, the Congress appropriated \$200 million to fund a modified version of the first year's program.

Rather than design the program as an entitlement for each State, the Congress required the Community Services Administration to approve the funding of States or localities by designated identifiable emergencies. Community Services Administration regulations provided that it would determine general emergencies on the basis of a declaration by the Federal Government or State Governors that an energy- or weather-related emergency exists.

Community Services is conducting a third year's program, beginning January 1979, to help the poor. Emergency criteria for the new program have been further modified, and changes in the program structure should

help orient program implementation to demonstrated emergencies. However, the 1978 and 1979 programs were implemented under tight time frames and similar program controls as the first year's program. GAO will assess the implementation of these programs in response to congressional concerns over how they have been implemented.

RECOMMENDATIONS

The Community Services Administration Director should consider this report when developing and implementing future emergency energy assistance programs. When future appropriations are authorized by the Congress, the Director should:

- Define the types of energy emergencies that should be met with program funds.
- Develop criteria for State and local programs to use in directing funds to individuals in the greatest need.
- Require States to make sure that local projects rank and fund individual applications by the criteria.
- Limit future expenditures to costs incurred by recipients during the period of a winter emergency.
- Establish specific procedures for the regions to follow for overseeing State monitoring and for supplementing State efforts where they are insufficient.
- Provide guidance for a uniform Community Services Administration review and approval of all State plans and programs.

RECOMMENDATIONS TO THE CONGRESS

The President has proposed that future programs providing emergency energy assistance be administered under the Department of Health, Education, and Welfare's general

program of emergency assistance for needy families. In an April 1978 report, GAO identified a number of problems with the Health, Education, and Welfare Department's program that needed resolution. Therefore, the Congress should not consider the proposed transfer until these problems are resolved and the Community Services Administration's program is proven.

AGENCY COMMENTS

The Community Services Administration agreed with most of the matters in this report; it emphasized that program time constraints and the nonreimbursement of administrative costs largely contributed to problems in administering the program. (See app. III.)

Community Services proposed two separate programs to meet the future energy needs of the poor and elderly. The first would be an income transfer program that would assure adequate individual resources to pay for home energy needs and would be operated by Social Security and welfare offices. The second would be operated by community action agencies to intervene in health- or life-threatening situations for those not served by the income transfer program or those who find themselves in an energy crisis. GAO believes that the Community Services Administration needs to assess the budgetary impact of these proposals and the extent of services already available under existing income transfer programs as the basis for further consideration of its proposal.

The Community Services Administration believes that its proposed program would resolve most of the issues addressed in GAO's recommendations, but it pointed out that its proposal creates a serious disincentive to energy conservation that must be resolved. Additional study and legislation will be needed before Community Services' proposal can be made functional. In the interim it is continuing its annual Crisis Intervention Program under continuing resolution during the winter of

1979. Community Services should adopt GAO's recommendations for current and future Crisis Intervention Programs.

The National Governors Association and State representatives, responding informally, agreed with the matters discussed in this report. They emphasized the need for a recurring program to supplement existing systems in helping the poor with their burden of rising heating costs.

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Director of the Community Services
Administration

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ABBREVIATIONS

CSA Community Services Administration
GAO General Accounting Office

CHAPTER 1

INTRODUCTION

The winter of 1976-77 was the coldest in 60 years, and national energy consumption was 32 percent higher than the previous winter. With increased consumption came higher prices; the estimated heating bill for the Nation increased 49 percent--to \$8.4 billion--an average increase of \$139 per house.

These financial burdens fell heaviest on the poor and the elderly. Energy costs have risen more than four times faster than average welfare payments since 1973, and even before the winter of 1976 many poor and elderly persons were spending 60 to 80 percent of their income on shelter and heat. Many of these people were not able to pay their heating bills as the winter progressed. This resulted in arrearages, threats of discontinuation of service, and utility cutoffs in some areas of the country.

To alleviate these burdens the Congress provided the Community Services Administration (CSA) with a fiscal year 1977 supplemental appropriation 1/ of \$200 million in May 1977 as part of CSA's ongoing Emergency Energy Conservation Services 2/ authority. The expanded appropriation was for emergency payments to prevent utility cutoffs under a program known as the Special Crisis Intervention Program. The program was to serve about 1.4 million needy households and was to be designed by CSA and implemented by the States. Payments were to be completed by September 23, 1977.

In light of the time constraints placed on implementation of the Special Crisis Intervention Program, the Chairwoman of the Manpower and Housing Subcommittee, House Committee on Government Operations, asked us to evaluate program administration and oversight by CSA and several representative States.

1/Enacted through the Supplemental Appropriations Act of 1977 (Public Law 95-26, May 4, 1977).

2/On January 4, 1975, the Congress enacted Public Law 93-644 (42 U.S.C. 2701 note), the Community Services Act of 1974. Section 222(a)(12) of this act authorized CSA to perform Emergency Energy Conservation Services.

On March 7, 1978, the Congress provided CSA another supplemental appropriation 1/ of \$200 million to alleviate the burden of the extraordinarily high residential heating costs of low-income families during the winter of 1977-78; this appropriation was called the Emergency Energy Assistance Program. It differed from the Crisis program in several important respects and was operational from March 8, 1978, to May 20, 1978. As of May 1978 CSA had provided \$190 million to States for use in the program, and in August 1978 the States were beginning to report the results of local efforts to expend program funds.

CSA estimated that the States had obligated all but \$48 million, and CSA was prepared to return these unobligated funds to the Treasury. However, on September 27, 1978, a U.S. District Court ruled that CSA had to reopen the program because administrative procedures had excluded certain eligible program participants. CSA did not appeal this decision, and on November 20, 1978, CSA issued guidelines for spending the remaining funds.

On October 18, 1978, the Congress enacted a joint resolution providing appropriations for CSA to continue activities at the fiscal year 1978 level. With this authorization, CSA is conducting a third-year program to help the poor. We are presently reviewing the results of these programs.

EMERGENCY PAYMENT OF WINTER HEATING BILLS

Enabling legislation for Emergency Energy Conservation Services provides general authority for CSA to conduct a variety of energy-related efforts for the poor. The two principal programs operated by CSA under this legislative authority have been for providing emergency assistance in paying fuel bills and for weatherizing the homes of the economically disadvantaged. Until 1977, Federal appropriations for emergency fuel assistance payments had not exceeded \$20 million annually. The implementation of the Special Crisis Intervention Program substantially expanded available funds, and the Senate Appropriations Committee provided specific clarification of how the funds were to be spent in Senate Report 95-64 (Mar. 24, 1977).

1/Enacted through the Supplemental Appropriations Act, 1978 (Public Law 95-240, Mar. 7, 1978).

The report indicated that the program would assist poor families and individuals with incomes no higher than 125 percent of the current Federal poverty guidelines to continue to obtain energy and fuel supplies. Those who had paid fuel bills at great sacrifice were also to be eligible through utility credits. State Governors were to assure that the households in the greatest need were helped first. Payments under the program were to be limited to \$250 per household.

Program funds were to be allocated to the States on the basis of the local severity of winter, the number of poverty households, the elderly in these households, and regional fuel costs. State Governors were to implement the program through community action agencies or other appropriate State and local agencies. All funds that could not be effectively spent for crisis intervention were to be utilized to augment CSA home weatherization activities.

Assistance was to be provided to eligible families and individuals by direct payments to energy or fuel suppliers on behalf of those who had shown proof that they lacked financial resources to meet outstanding energy bills. Cash grants of not more than \$50 could be made directly to households where the administering agency found there was an energy-related need which could not be met in any other way.

The Committee expressed concern that adequate monitoring and evaluation should be performed to insure effective utilization of the \$200 million appropriation. It recommended that sufficient staff be made available temporarily from CSA's weatherization program for these purposes. State Governors were required to provide non-Federal support of as much as 10 percent of the Federal grant to the local agencies for providing certification of the eligibility and need of recipients.

CSA developed program guidelines, and the States had the authority to administer the program within these parameters. Each State submitted a State plan for CSA review and approval which specified how the Crisis program would be implemented and methods to be used to monitor the program at the local level, safeguard the disbursement of program funds, and reach agreement with local fuel suppliers to assure proper credit and service reinstatement to program participants. A State could not obligate funds until CSA approved its plan.

The first applications were accepted in late June 1977, and when the program ended on September 23, 1977, over 1 million households had been certified for assistance totaling \$163 million. Chapter 2 considers the results of the distribution of fuel assistance payments, and chapter 3 considers the methods employed to assure program integrity.

SCOPE OF REVIEW

We made our review of the Crisis program at CSA headquarters, Washington, D.C.; the offices of State grantees in New York, Massachusetts, New Jersey, Michigan, Texas, and California; 11 local administering agencies within the above States; and the CSA regional offices responsible for these grantees. In our review we considered whether

- CSA's allocation formula was effective in meeting the requirements of the enabling legislation,
- CSA, State government, and local agency procedures and oversight were effective in assuring program integrity,
- State funding provided for program administration was used effectively, and
- procedures for reimbursement of utility companies were uniform and effective.

We obtained copies of program plans submitted by all States, the District of Columbia, and two U.S. territories, and assessed the allocation methodology and priority structure adopted for consistency with legislative and CSA objectives.

Within each of five States, two local agencies were selected for review. In each of these we reviewed a local agency in an urban setting which received a large dollar amount of the State's allocation and one in a rural setting which received a moderate amount of the State's allocation. In Michigan the program was implemented centrally, so we reviewed program activities of the responsible State agency.

A preliminary assessment of CSA's procedures for the Emergency Energy Assistance Program was made at CSA's headquarters office in Washington, D.C. A review of the implementation of the Emergency Energy Assistance Program and the current program (winter of 1978-79) will be made in response to Subcommittee concerns over how the programs are being administered.

We also reviewed applicable legislation, policies, regulations, program documents, reports, correspondence, and other related records and interviewed officials at CSA headquarters and regional offices.

CHAPTER 2

DISTRIBUTING FUEL ASSISTANCE PAYMENTS

The Congress designed the Special Crisis Intervention Program as a State entitlement program and instructed the Community Services Administration to allocate funds among all States on the basis of local severity of the winter, the number of poverty households, the number of elderly in these households, and the regional fuel costs. State Governors were required to assure that the greatest household needs were met first; any residual funds were to be reprogrammed for home weatherization.

Under CSA guidance, States implemented differing priorities for paying individuals, and CSA could not be assured that local programs were alleviating crisis situations and serving households in the greatest need. Applications under the program were accepted between June and September 1977. Projects in two States in our review were paying for summer utility bills.

CSA allocated the funds on the basis of the above factors. Over \$163 million was distributed in the States, the District of Columbia, and two territories to over 1 million families requesting assistance. (See app. II.) Sixteen States ^{1/} used their full allotment but were unable to serve thousands of applicants. The other States, territories, and the District of Columbia were unable to obligate all of their allotments, so \$37 million of Special Crisis Intervention Program funds were reprogrammed for use in CSA's home weatherization program. State officials indicated that they were unable to obligate program funds because there was either insufficient time or administrative funds to process eligible applicants. Also, some States indicated that outreach and demand were lacking or that they preferred to apply the funds for home weatherization.

Twenty northern States received the majority of the Crisis program funds and obligated over 70 percent of the \$163 million expended nationwide for assistance. CSA's formula provided for some assistance to be given on the basis of increased regional energy costs or the number of elderly

^{1/}Connecticut, Delaware, Georgia, Illinois, Maine, Michigan, New Hampshire, New Jersey, New Mexico, North Carolina, Pennsylvania, Rhode Island, Texas, Virginia, West Virginia, and Minnesota.

poor, separate from consideration of the effect of the severity of winter. As a result some warmer States or territories such as Hawaii (high energy costs) and Puerto Rico (large elderly poor population) received funding. Puerto Rico was only able to obligate about one-third of the \$830,000 it received while Hawaii obligated almost all of its \$300,000.

REACHING THE CRISIS PROGRAM
TARGET POPULATION

Reaching the Crisis program target population depended on the effectiveness of the States' allocation of funds among local projects and the priorities adopted by local projects for serving program participants. We reviewed the State plans approved by CSA and found that the allocations to local projects and priorities set for local projects in paying participants varied materially.

State allocations to local projects

CSA required each State to develop its own plan for suballocating funds within the State. Guidance given to the Governors by CSA for preparing State plans described the four-part criteria it used for allocating funds nationally. However, CSA provided no specific criteria for making allocations at the State level among operating projects, nor did it require the States to use the national criteria.

Maine and Utah applied all of the criteria mandated by the Congress for the national allocation in allocating resources to projects within the State. However, most States developed their own methodologies, including the allocation approaches illustrated below and described in greater detail in appendix I:

- Allocation was made to local projects in direct proportion to the poor population.
- Allocation was made centrally by the State on a first-come-first-served basis to the elderly.
- A portion of the grant was distributed equally to service organizations, and the remainder was distributed in proportion to designated target populations the State chose to serve.

Eight States 1/ did not include any allocation methodology in their plans. CSA stated that, due to the time constraints, the plans were approved without thorough review. The methodology incorporated in the California plan had to be abandoned when it was determined that insufficient local demand for funds existed or State administrative support could not sustain the distribution of funds in those areas.

Local priorities for assisting individuals

CSA instructed the States to give priority to the elderly since all expected bills of the needy could not be paid with available funds. However, State plans identifying local project payment methodologies and priorities could not be effectively reviewed and approved by CSA within program time constraints. Also, CSA guidelines for the program created some confusion among the States (see p. 22), and criteria were not provided to the States for serving households with the greatest need first.

Eight States 2/ designated no specific priority system in State plans approved by CSA. The remaining States, territories, and the District of Columbia adopted different priorities, including the provision of services to

- the elderly only and not other qualified recipients,
- all eligible recipients on a first-come-first-served basis regardless of age,
- eligible recipients with power disconnects or outstanding fuel bills, or
- all eligible recipients with specific exclusions or payment limitations.

1/Alaska, Georgia, Hawaii, Idaho, Kentucky, Nevada, Pennsylvania, and South Carolina.

2/Alaska, Arizona, California, Colorado, New Mexico, Tennessee, Vermont, and Washington.

IMPLEMENTING STATE PLANS

Our assessment of the implementation of six States' plans showed that in four States ^{1/} allocations to projects or project priorities differed materially from what had been included in the State plans or decided in preliminary plan developments with CSA. Principal factors contributing to the differences were:

- California's allocation to many of its projects had to be dropped because State administrative support was not provided.
- Massachusetts' allocations had to be modified to meet differences in actual demand, and ultimately some families could not be served.
- New Jersey's application processing instructions to local projects did not identify its State plan priority designation of the elderly. Projects in our review served on a first-come-first-served basis, and only one-fourth of those served were the elderly.
- New York delayed its program to change from community action agencies to State welfare offices for administration, with the result that an estimated 10,000 families could not be served.

These changes had the effect of reducing the program's impact in some States or eliminating the priority structure to serve a specific target population in other States. The following illustrates the difficulties experienced in implementing special crisis intervention at the State and local levels.

New York, which had experienced a severe winter, received over \$21 million, the largest allocation of Crisis funds to any State. Initially, New York intended for its State Economic Opportunity Office to administer the Special Crisis program through community action agencies around the State. The State Economic Opportunity Office had administered CSA's Emergency Energy Conservation Services program and had received all the initial program information and orientation training to begin certifying applicants in June 1977. However, New York decided on June 30, 1977, to designate its social services department as the administering agency.

^{1/}California, Massachusetts, New Jersey, and New York.

This was about 1 month after the other five States in our review had begun program planning; many were already operating and certifying applicants.

New York's decision was based on its inability to find appropriate funding or other resources to administer the program through community action agencies. Because of the change, social service agencies began preparing to administer the program about 1 month late and, at the program's conclusion in September 1977, New York had \$3.6 million which could not be obligated and an estimated 10,000 unserved households.

California, another State in our review, had a mild winter, and program officials accepted about \$3.4 million in Crisis funds on the premise that most money would be reprogrammed for home weatherization. In consonance with its spending plans California advised the local administering agencies that it would not be providing any administrative funds for Crisis program administration, and local agencies were required to accept this condition as a requisite to receiving Crisis program funds. As a result, 18 of the State's 86 local agencies refused to participate in the program.

Originally, California planned to distribute Crisis program funds on the basis of the number of poor, elderly poor, disabled, Indians, and migrants in the State. Eighty-five percent of the funds were to go to counties with community action programs and 15 percent to the other counties, local programs serving American Indians, and migrant farm workers. When 18 local agencies declined to participate, their portion of the funds were awarded to other participating projects indicating that they could utilize the funds. With these administrative revisions, California's plan was not approved until August 3, 1977, which gave the local agencies less than 2 months to operate the program. Only 20 percent of the Crisis program funds were obligated, and \$2.7 million was reprogrammed to home weatherization.

SERVING THOSE WITH THE GREATEST
NEED FIRST

In March 1977 House floor debates on the supplemental appropriations for the Special Crisis Intervention Program, it was stated that CSA had estimated that 2 million households would be unable to pay their 1976-77 winter heating bills and would be faced with utility cutoffs. The Senate

Appropriations Committee's report (S. Rept. 95-64, Mar. 24, 1977) on the Crisis program provided that those households with the greatest need should be served first.

Approval for payments under the program could not be given until June 1977, and had to be completed within 4 months; unused funds were converted to use for home weatherization. At the time, the winter crisis had abated. CSA advised the States that payment not to exceed \$250 per household could be made to cover actual household energy bills incurred after October 1, 1976, up to the time of application (June-September 1977). This meant that summer bills could be paid.

Priority for the elderly poor

On the premise that all outstanding fuel bills of eligible families could not be paid from the special \$200 million appropriation, CSA advised the States on May 25, 1977, that priority should be given to the elderly. No other criteria were offered by CSA to identify and serve those with the greatest need first. Most, including five of the States reviewed, 1/ planned to give priority to the elderly. Four out of six States reviewed 2/ set an appropriate cutoff date between March and May 1977 for qualifying winter fuel bills for payment.

The method of paying fuel bills employed by most of the 11 local projects in our review did not provide for an assessment that permitted serving those in the greatest need first; in some cases, the projects did not follow State-designated priority to the elderly. Contrasts in the methods are illustrated below and discussed further in chapter 3:

--Two projects in California served all income eligible families with outstanding fuel bills from October 1976 to September 1977, regardless of age. One of the projects made payments for future credit to those who had paid their bills under financial stress, as specified by CSA. (See p. 3.) The other did not.

1/Massachusetts, Michigan, New Jersey, New York, and Texas.

2/Michigan, Massachusetts, New Jersey, and New York.

--Two projects in New Jersey made \$250 payments to fuel dealers on behalf of all participants over 65, regardless of arrearages. Bills of those under 65 were scrutinized, and payments usually related to the amount of arrearages through May 5, 1977, as specified in the State plan.

--One project in Texas paid both heating fuel and electric utility bills extending from October 1976 to September 1977 for all participants, regardless of age. Most families at this project and another visited in Texas had an annual home energy bill that totaled less than \$250, and program funds were provided to utility companies as credit against participants' future bills. Payments were based on up to 11 months' bills incurred by participants; consideration of need was not a matter of record.

CONCLUSIONS

Difficulty was experienced in implementing the Special Crisis Intervention Program due to time constraints imposed on completing program payments and the lack of clear criteria for identifying and serving those with the greatest need.

CSA did not require a uniform review and approval of State plans or State implementing instructions; the result was that some States did not fully address legislative or administrative program requirements. These matters are discussed further in chapter 3, in conjunction with our review of the Crisis program implementation in six States.

CSA guidelines permitted reimbursement for utility bills incurred between October 1976 and September 1977. Many households were paid based on bills incurred in the spring and summer months. In some warmer States up to 11 months' bills were paid for individuals.

Certification of payments at local projects had to be completed between June and September 1977 with limited administrative support. In the absence of CSA guidance providing for an assessment of need based on the impact of energy cost on an individual's income and living conditions, most projects reviewed tried to emphasize service to the elderly, as directed by CSA. Other projects in our review did not set any priorities and served applicants on a first-come-first-served basis. Had CSA limited payments to expenses incurred in the period in which the winter emergency prevailed and provided States with criteria for assessing the relative needs of participants, the program might have been more effective.

The President has proposed to the Congress that future fuel assistance payment programs be administered by the Emergency Assistance Program of the Department of Health, Education, and Welfare. In April 1978 we reported 1/ that the Emergency Assistance Program had experienced serious management and legal problems, and we questioned continuing the Federal program efforts based on the availability of such assistance through existing State programs. The Department of Health, Education, and Welfare has stated it was developing uniform guidelines in line with a recent Supreme Court ruling for administering and monitoring the program, and has proposed legislation which would correct some of the problems noted in our report. These matters should be resolved, and CSA's emergency fuel payment program should be fully proven before considering consolidation of the program in the Department of Health, Education, and Welfare.

RECOMMENDATIONS TO THE CSA DIRECTOR

When future appropriations are authorized by the Congress for emergency payment of winter heating bills for needy families, the Director of CSA should

- develop a clear definition of the types of energy emergencies that should be met with program funds;
- based on defined emergencies, develop criteria for State and local programs to use in directing funds to individuals in the greatest need;
- require States to assure that local projects rank and fund individual applications using the criteria; and
- limit future expenditures to costs incurred by recipients during the period of winter emergency.

RECOMMENDATION TO THE CONGRESS

We recommend that the Congress not act on the proposal to transfer CSA's fuel assistance program to the Department of Health, Education, and Welfare until difficulties with its program are rectified and CSA's program is fully proven.

1/"Should Emergency Assistance For Needy Families Be Continued? If So, Program Improvements Are Needed," HRD-78-65, Apr. 5, 1978.

CSA COMMENTS AND OUR EVALUATION

CSA expressed need for thoughtful and creative planning to design an effective long-range approach for dealing with the critical energy needs of the poor. (See app. III.) CSA cited the need for two programs--an income transfer program to provide basic assistance to individuals unable to afford increased energy costs and a supplementary program operated by CSA to assist in health- or life-threatening situations not met by the first program or for those who find themselves in an energy crisis. The proposed income transfer program would be operated through established organizations under Social Security and welfare offices. Assistance would be provided as an entitlement to individuals that demonstrate that the cost of their energy needs exceeded a predetermined percentage of their income. However, CSA indicated that a serious problem with this approach would be the possible disincentive to energy conservation that it would create.

CSA stated that, until its proposed two-program system is in place, there needs to be an ongoing general program of intervention to prevent hardship or threat to life or health from energy-related emergencies. The Director stated that CSA, through the community action agency network, is best equipped to handle the Crisis program.

At the time of our review CSA had not assessed the potential budgetary impact of its proposals or the degree to which State operation of income transfer programs was already assisting low-income individuals caught by rising energy costs. CSA indicated that it can play an important role in designing and initiating a responsive income transfer program, but that implementation should rest within the existing program structures.

CSA responded to our recommendations by indicating that, if its proposed programs were enacted, most of the issues addressed in our recommendations would be resolved. Additional study and legislation will be needed before CSA's proposal can be made functional. In the interim, CSA continued its annual program of crisis intervention under continuing resolution during the winter of 1978-79, and it should adopt our recommendations on that program and any similar programs in the future.

CSA acknowledged the need for a clear definition of the types of emergencies that should be met with program funds and indicated that it is working on the development of emergency criteria within the context of its dual program

proposal. Until its proposals are operational, CSA should adopt a clear definition of energy emergencies for its continuing annual crisis intervention program. The definition should assure that funds are targeted to areas of winter-related emergencies and to individuals in the greatest need. Modifications to the 1978-79 program structure, if properly implemented, should have oriented program efforts more closely to demonstrated emergencies. (See pp. 28 and 29.)

CSA stated that our recommendation for ranking and funding individual applications based on criteria to direct funds to those in the greatest need would not be practical. CSA stated that it would require local projects to hold applications without approval or disapproval until all applications had been received, which would prevent a timely response to those in greatest need, who by definition require the earliest assistance. It would then require projects to rank applications according to need, which according to CSA, is a moral if not intellectual impossibility and would quickly destroy the viability and credibility of any community agency.

Our recommendations for ranking applications under the emergency criteria were not intended to eliminate prompt local project responses to legitimate individual emergencies--where utilities were cut off, where there was a threat of cutoff, or for other health- or life-threatening emergencies. However, there were few such emergencies in the Crisis program. Accordingly, ranking of all other applications for assistance based on factors such as age, health, level of income, number of family members, and other indicators of need would not inhibit responsiveness or discredit local agencies so long as applicants were apprised of the process. Also, diagnosing the individual's problems to provide better service would be an inherent benefit of the process.

We found that local grantees generally accepted applicants based on oral information on financial eligibility, and that payment was more or less automatic, without considering individuals' needs, to meet the program's tight time constraints. Unless individual need is assessed during the application process, CSA cannot be sure that it has served the intended target population.

In any program where there is not sufficient money to serve all eligible applicants, as was the case with Crisis Intervention, we believe a simple ranking process is the only equitable means of serving those most in need. Such criteria would have fulfilled specific legislative intent (Public Law 95-26, May 4, 1977) that those in the greatest need are served first.

In response to our recommendation that future program expenditures be limited to costs incurred by recipients during the period of winter emergency, CSA indicated the problem would take care of itself under its dual program proposal. CSA pointed out that the Economic Opportunity Act of 1964 had been amended (Public Law 95-568, Nov. 2, 1978) following the second Crisis Intervention program, to assure that program eligibility was not limited to those presenting outstanding utility bills.

Our recommendation was directed to the weakness in CSA guidelines permitting program reimbursement for utility bills incurred during summer months or other periods of non-emergency. Under CSA criteria projects in two States that experienced a mild winter were paying outstanding utility bills and/or providing future utility credits for up to 11 months of bills incurred by individual participants without consideration of need.

COMMENTS OF THE NATIONAL
GOVERNORS ASSOCIATION

We provided our report to the National Governors Association and discussed its contents with their officials and representatives of several States. They agreed with the matters contained in our report and expressed concern over the need for a more effective ongoing program to help the poor combat the burden of rising heating costs.

We also provided our report to the Council of State Governments. It had no substantive comments on the report.

CHAPTER 3

ASSURING PROGRAM INTEGRITY

The Congress was concerned that the Special Crisis Intervention Program be effectively monitored and evaluated to assure that all funds were used to pay heating bills of the poor. Senate Report 95-64 (Mar. 24, 1977) on the program appropriation recommended that sufficient staff be made available temporarily from the Community Services Administration's weatherization program for these purposes. State Governors were required to provide non-Federal support of as much as 10 percent of the Federal grant to the local agencies for providing certification of the eligibility and need of recipients.

CSA program guidelines delegated monitoring responsibility to the States and required that State program plans describe monitoring methods and provide for notification to CSA regarding the outcome of any program investigations. State plans were required to describe methods of determining eligibility, safeguarding the distribution of funds, and reaching agreement with local fuel suppliers to assure proper credit and service reinstatement for program participants. States were also to conduct a postaudit of the program, and CSA employed a consultant to evaluate and report to it on the overall impact and administration of the program.

State plans were not approved centrally; they were reviewed and approved by CSA regional offices. Due to time constraints on evaluating State plans, CSA had limited input into control procedures ultimately adopted by the States and local projects. Thirty-one State plans were approved which did not fully respond to all of CSA's requirements. In the six States reviewed, agreements were eventually reached with most fuel dealers; however, many small dealers did not participate. Also some States and local projects reviewed were unable to establish effective controls for assuring applicant eligibility or for preventing duplicate payments on behalf of participants.

Four of the six States reviewed 1/ were unable to provide adequate administrative funds to support local project operations. Delays were experienced in securing appropriations

1/California, New Jersey, Massachusetts, and Texas.

through State legislatures which had to act on short notice. California, which had not experienced a severe winter, restricted administrative support. In these States monitoring of the program was either reduced or eliminated, and local projects were forced to limit outreach, eligibility verification, and delivery of service to prospective program participants.

ELIGIBILITY CONTROLS

CSA established specific criteria for determining program eligibility which were to be adopted by States and local projects as a condition of receiving Crisis program funds. CSA criteria specified that:

- Only households with income no higher than 125 percent of the Office of Management and Budget poverty guidelines were to be assisted.
- Proof of income eligibility was to be obtained, including fuel bills, cutoff notices, and other documentation determined necessary by the States. Where documentation was not available, written declaration was acceptable when accompanied with subsequent local agency test verification.
- To qualify, a household was to have either large unpaid energy or fuel bills and the threat of inability to obtain heating fuel or demonstrated dire financial need as a result of having paid large energy or fuel bills.
- Fuel bills incurred between October 1976 and September 1977 qualified for reimbursement under the program.
- All payments were to be made directly to fuel dealers, with the exception that a \$50 cash payment could be made directly to an eligible household in dire need as a result of having paid large winter heating bills, with the balance of up to \$250 paid directly to energy suppliers to offset the cost of future deliveries.

Our review of efforts by projects in six States to implement CSA's eligibility requirements indicated a number of difficulties. At projects in our review we found that applications were being certified on the basis of personal statements of income, without adequate documentation. With one exception local projects in our review that were responsible for testing the accuracy of income declarations did not

do so. Michigan retained this responsibility and was in the process of test verification when we completed our review.

All but two projects in our review required the submission of fuel bills or cutoff notices to receive credit for outstanding balances. All of the agencies planned to verify outstanding bills with fuel vendors by telephone or form letter.

State audits were completed for the six States in our review by May 1978. Massachusetts and Texas conducted audits on a project-by-project basis, while the remaining four audited on a statewide basis. Michigan received a qualified opinion because the State was still verifying participant eligibility. New Jersey found that

- one local administering agency had not maintained documentation to support payments;
- about 2,500 more applications were certified for payment than available funds would serve;
- about \$50,000 in duplicate payments were approved by local agencies, due partly to administrative error and partly to double requests; and
- 146 of a sample of 1,811 awards tested did not qualify under program criteria.

New York found (through a sample of 514 program participants) that about 9 percent were ineligible, primarily based on earned income or eligibility for other State programs. The California audit made no comment on eligibility.

Texas, one of the two States that performed separate audits of individual projects, had completed 51 audits as of March 1978. Some of the problems found in the audits were

- local projects had exceeded the \$250 ceiling in many cases;
- duplicate payments were being made to participants;
- garbage, sewer, and water service bills were being paid with program funds; and
- utility bills for periods prior to October 1976 were being reimbursed.

Controlling duplicate applications

Procedures for reimbursing the utility companies could have been improved. California, New Jersey, and Texas controls were inadequate for assuring that a person could not apply twice and receive duplicate benefits.

States in our review either centrally controlled testing for duplicate applications or delegated it to the local program sponsors. Local review for duplication was generally found to be ineffective. In New Jersey duplicate payments went undetected until an energy dealer noticed that several clients' accounts were being credited twice. To assess the extent of the duplicate payment situation, the State used a computer program to match names and social security numbers of recipients. Duplicates accounted for about 1 percent of the total certifications in the State. While the vast majority of duplicate payments were caused by administrative processing errors of the local agencies, in eight cases individuals applied and were certified at more than one agency.

In California the controls were not defined; they were left to the discretion of the local projects. One project we visited did not establish any internal controls over duplicate applications and payments. Instead, the project asked the local energy dealers for notification when they were paid more than once for the same account.

AGREEMENTS WITH FUEL DEALERS

CSA notified the States of the Special Crisis Intervention Program and specified that payments could only be made to participating utility companies and fuel dealers. Moreover, CSA made the release of funds conditional upon meeting the requirement that agreements must be reached with participating utility companies and fuel dealers. The requisite agreements had to include that

- the outstanding bill would be reduced by the full amount of the Special Crisis Intervention Program payment;
- for any remaining balance, the customer would be offered a deferred payment arrangement;
- a reconnection charge, to be paid by the customer, would be made only where such a charge was company practice prior to May 5, 1977, 1 day after the program became law;

--no security deposit would be required, except where such a deposit was required by State law or explicit State regulation prior to May 5, 1977, and in such cases the deposit would be included in a deferred payment arrangement; and

--reconnection of service would be made upon certification for payment and satisfaction of the above requirements.

States began contacting fuel dealers in June 1977 through fuel merchant associations, mass mailings to utility companies, and other media. New York ordered all public utilities to participate through its public services commission. Agreements negotiated were for the most part consistent with CSA guidelines.

However, difficulty was experienced in securing participation by small fuel dealers serving potential program participants. Most of these dealers gave no reason for non-participation, but those who did often cited that program paperwork was too cumbersome or that CSA procedures adopted by the States forced them to decline. Because of the small size of nonparticipating fuel dealers, States believed that program coverage was not significantly impaired.

STATE PROGRAM ADMINISTRATION AND OVERSIGHT

The Congress expressed concern that CSA assure that monitoring and evaluation be adequate for effective use of program funding and recommended that sufficient staff be made available from CSA's weatherization program for this purpose. CSA delegated primary responsibility for administration and monitoring of the Crisis program to the States and retained overall evaluation authority for itself. State administration was hampered by time constraints placed on program implementation and the inability to secure adequate administrative funds.

The Congress enacted the Special Crisis Intervention Program on May 4, 1977, and program funds had to be obligated by the end of the fiscal year. However, to assure that unobligated funds could be reprogrammed to weatherization, CSA advised States they would have to stop certifying Crisis program payments by August 31, 1977.

CSA notified the State Governors of its criteria and requirements for the Special Crisis Intervention Program on May 25, 1977. States started to staff their programs and to prepare their State plans, and by mid-June the first applications were being received. CSA's August 31, 1977, conclusion date left the States about 12 weeks to prepare and receive approval on their State plans, conduct outreach, accept and process applications, negotiate and reach agreement with energy dealers, verify eligibility, and certify payments.

By late July 1977 it was apparent that almost \$100 million of Crisis program funds would have to be reprogrammed to weatherization of homes because State programs were not progressing fast enough to certify a majority of prospective applicants. Accordingly, CSA extended the certification closing date to September 23, 1977.

In our discussions with State and local officials, one point was reiterated: if they had been permitted adequate time to plan, the program could have been more effective. State officials indicated that acceleration of planning and implementation had to be accomplished by eliminating important steps such as staff training and testing new systems and processes. As a result processing errors and administrative problems occurred as illustrated below.

- In Michigan the application forms failed to require an identification of the utility dealer and all priority groups. The State had to redesign the form for this and research a large number of applications that had been received.
- Several States believed that the Federal guidelines were not clear and that obtaining clarifications from CSA was difficult and time consuming. Information from CSA was described by States as late or in conflict with earlier guidance.
- Massachusetts sought clarification about whether CSA guidance providing sole priority to the elderly was sufficient to comply with the legislative mandate of serving households with the greatest needs first. CSA never responded.

Local agencies implementing the program also cited time constraints as a critical factor that caused them to limit outreach for the needy, negotiations with participating fuel dealers, and eligibility verification.

Time constraints, coupled with many State legislatures being out of session when the program was announced, delayed the provision of funds for local administrative support. Also, many States elected to not provide full support up to the 10-percent ceiling for administrative costs established by the Congress.

Of the six States we visited, Michigan and New York provided adequate financial support and inkind assistance to the local agencies' program operating budget; the others did not.

In its guidance CSA did not specify the form of the funding to be used for administrative costs. The States had difficulty obtaining clarification from CSA on what types of Federal funds could be used and whether the support had to be money or if it could be in the form of labor, services, or supplies. Some States finally decided that all support had to be from State funds, while some States used their portion of other Federal programs providing compatible support.

The shortage of administrative support affected all aspects of program operations and resulted in important services and program monitoring being reduced or curtailed. Moreover, the lack of sufficient support resulted in a number of local agencies not participating in the program. Those agencies that did operate a program found that outreach had to be reduced; errors resulted because application processing was rushed and untrained staff had to be used; and eligibility verifications had to be limited. Some examples from the six States we reviewed follow:

- In California, where local agencies declined to participate because no administrative funds were provided, many areas went unserved.
- In Texas, outreach in rural areas was severely curtailed.
- In Massachusetts, half of the administrative support was to come from a Federal Department of Labor program, but workers did not arrive at local projects by the time the program was concluded. This State assigned one official to monitor the program, and he visited 3 of 24 local projects.

CRISIS PROGRAM EVALUATION BY CSA

CSA entered into a consulting contract for \$366,000 to evaluate the results of the Crisis program in July 1977, with emphasis on need for and impact of the program, the adequacy of program design, and performance variations among different State delivery systems. The consulting firm completed an interim report of its findings in February 1978 and is preparing a final report to be released in May 1979.

The interim report confirmed many of the issues found in our review. Based on telephone interviews with State program administrators, the consulting firm determined that

- lack of administrative resources was overburdening State and local staff, diverting CSA resources from other programs, limiting outreach, and delaying operations;
- eligibility largely was made through self-declaration without documentation;
- monitoring was given low priority by most operating organizations;
- most States developed their own formulas, irrespective of CSA's formula for allocating funds among local projects; and
- 39 percent of the State administrators found CSA program instructions less clear than other Federal agency instructions.

CONCLUSIONS

The Crisis Intervention program assisted many needy people; however, program procedures, monitoring, and oversight controls were ineffective in assuring an acceptable level of program integrity. The program's short time frame and a shortage of administrative funding by the States were major causes of the program's administrative weaknesses. Moreover, ineffective administrative support resulted in ineffective procedures to preclude duplicate payments in reimbursing utility companies. Because of these factors many local agencies were not able to obligate all funds, and some had to drop out of the program. Local agencies had to reduce or eliminate essential services such as outreach and controls over applicant processing and certification. Had adequate time and State funds for administration been available, more low-income families might have been assisted.

Control problems might have been reduced had CSA been more active in monitoring implementation of the program rather than delegating it to the States. State plans should have been reviewed and approved for consistency with CSA criteria, and procedures should have been established for CSA regional monitoring of State program implementation.

RECOMMENDATIONS TO THE CSA DIRECTOR

In future programs of this magnitude, where CSA must delegate primary responsibility for monitoring program expenditures to States or other entities, we recommend that the Director of CSA:

- Establish specific procedures for the regions to oversee State monitoring and supplement State efforts where they are insufficient.
- Provide guidance for a uniform CSA review and approval of State plans and implementing program instructions to local projects to assure consistency among States in eligibility criteria being adopted, outreach efforts being made, disbursement mechanisms used, and other critical program planning elements.

CSA AND NATIONAL GOVERNORS ASSOCIATION COMMENTS AND OUR EVALUATION

The National Governors Association and representative State officials were in general agreement with the issues and recommendations in this chapter.

CSA concurred with most points and with the need for specific procedures to oversee State monitoring and to supplement State efforts. Commenting on our recommendation for a uniform CSA regional review and approval of State plans, CSA stated that the intent of the Congress and the Administration was not to impose a uniform program design on the States. CSA indicated that it provided State officials with orientation to CSA regulations in Washington and conducted extensive communications with States during the program operational phases. CSA indicated that our conclusion that CSA-approved State plans which did not respond to CSA requirements did not accurately reflect CSA's plan review and development process.

CSA indicated that the regional review of State plans was limited to making sure that plans included all required elements and were in accord with applicable laws and regulations.

CSA stated that its regional offices were familiar with the State plans since States had worked in conjunction with CSA to develop their plans. CSA believes that the fact that safeguards failed in some States was a matter of the efficacy of the program design rather than a problem with CSA regional reviews.

Our recommendation was not intended to impose a uniform design on each State but to assure that each State adopted key elements of CSA's regulations before program implementation. Program legislation provided the States with authority to operate the Crisis Intervention Program in accordance with CSA-established criteria. CSA regulations provided specifically for Government approval of State plans. Initial orientation to CSA requirements and subsequent communications with the States to resolve problems while the Crisis program was in operation could be an important aid to State program implementation. However, controlled CSA approval of State plans and implementing instructions before the program began could have resolved many of the problems found in our review.

CSA's program guidelines for States provided that priority be given to the elderly and detailed specific criteria for making eligibility determinations, reimbursing utilities, and controlling against duplicate payments. State plans were required to describe the approach to implement these criteria and the planned allocation of grant funds by area to be served to secure CSA approval.

In our review we found that many CSA-approved State plans did not indicate that program priority would be given to the elderly or did not include basic CSA-prescribed controls. Eight State plans did not provide the required allocations by sub-State area. Without the required information in State plans, CSA sacrificed basic assurance that State programs would be administered in accordance with legislative intent.

CSA has, with some modifications, retained its approval authority over State program plans for winter-related emergencies under followup programs to Crisis Intervention and has delegated portions of this authority to CSA regional directors. The effectiveness of these modifications will be considered in our review of these programs.

CHAPTER 4

MODIFYING THE PROGRAM APPROACH

Following another severe winter the Congress appropriated \$200 million in March 1978 to fund a modified version of the first year's Crisis program, which it renamed the Emergency Energy Assistance Program. The new program implemented by CSA continued the \$250 ceiling on services to eligible households but expanded such services to include, in addition to fuel assistance payments, items such as blankets and warm clothing, loan of space heaters, emergency furnace repairs, temporary shelter, and emergency home repairs.

The new program is being administered with certain conceptual changes brought through the new legislation and new Community Services Administration procedures. Rather than design the program as an entitlement for each State, the Congress required CSA to approve funding of States or localities on the basis of designated identifiable emergencies. CSA regulations provided that it would determine the existence of general emergencies on the basis of declaration by the Federal Government or State Governors that energy- or weather-related emergencies exist. Emergencies would also be found by CSA where grantees identified

- low-income or elderly households without fuel or heat;
- natural disasters (such as fire or flood) that leave households without access to fuel;
- shortage or unavailability of fuel, necessitating costly conversion to other fuels; and
- widespread commercial or industrial unemployment caused by energy-related shutdowns.

The Senate Appropriations Committee specified (S. Rept. 95-564, Oct. 28, 1977), that CSA should design the Emergency Energy Assistance Program so that

- a controlled portion of the grant funds could be made available for program administration (rather than relying on State support) and
- allocation procedures assure that grants do not create an incentive for avoiding fuel bills.

Funds not used for bona fide emergencies as defined by CSA were to be deobligated, and CSA regulations provided that they be returned to the Treasury, as opposed to reprogramming the funds for other CSA program purposes.

The program was operational from March 8, 1978, to May 20, 1978, and \$190 million of the \$200 million appropriation was provided for use by State and other program sponsors declaring emergencies. All but five States 1/ requested assistance under the program.

CSA estimated that the States had obligated all but about \$48 million, and they were prepared to return these unobligated funds to the Treasury. However, on September 27, 1978, a U.S. District Court ruled that CSA had to reopen the program. CSA did not appeal this decision, and on November 20, 1978, commenced procedures to spend the remaining funds.

On October 18, 1978, the Congress enacted a joint resolution providing appropriations for CSA to continue activities at the level they were conducted in fiscal year 1978. With this authorization, CSA is conducting a third year's program, beginning January 1979, to help the poor.

The 1979 program continues the \$250 ceiling on services to eligible households for the same types of services provided. However, this program is being administered under new CSA criteria and regulations:

- The first \$15 million will be allocated to States or areas within States having relatively high heating needs in a manner determined by CSA in cooperation with State Governors.
- A portion of the remaining moneys will be allocated when a State Governor declares a winter-related emergency and commits substantial State funds for emergency energy assistance to low-income families, or a State Governor determines that a winter-related emergency exists because
 - there is a shortage of normal available fuels to low-income households causing extraordinary expenses either for fuel or conversion to substitutes,

1/Alaska, Hawaii, Idaho, Oregon, and Washington.

--the price of a major energy source has risen by 20 percent or more since May 1, 1978, or

--the State or area within the State is experiencing excessively cold weather as measured by CSA indicators.

Finally, other moneys are made available for winter-related disaster relief if State Governors request and receive Federal declaration of a winter-related disaster or CSA and the Federal Disaster Assistance Administration find such a condition exists.

As with the preceding year, this program is intended to be oriented toward demonstrated emergencies. CSA regulations were completed on January 22, 1979, and grant applications were being reviewed and approved regionally by CSA in February and March 1979. Grantees must certify all program participants before the program terminates at the end of May 1979. Any unused funds again are to be returned to the Treasury.

Modification to the program structure should orient the 1978 and 1979 programs to demonstrated emergencies. However, the new programs were implemented under tight time frames and similar program controls as the first year's program. Some improvements have been made over the Crisis program which, if effectively implemented, could alleviate problems experienced with the first year's program.

We will be assessing the 1978 and 1979 programs in response to congressional concerns over implementation difficulties being experienced.

ANALYSIS OF STATE PLAN ALLOCATION METHODS AND PRIORITIES

<u>State</u>	<u>Method of allocating funds to local projects</u>	<u>Priority for local projects to use in distributing payments to applicants</u>
Alabama	Allocation based on poverty population.	Elderly to be served first.
Alaska	Not defined.	No implementing criteria in plan.
Arizona	Allocation based on average local temperatures and owner-occupied substandard housing units.	No implementing criteria in plan.
Arkansas	Allocation based on average local temperatures, owner-occupied substandard housing units, poverty population, and number of elderly poor.	Plan mentions priority to elderly. No implementing criteria provided.
California	Allocation based on projected applicants.	No implementing criteria in plan.
Colorado	Allocation based on average local temperatures and poverty population.	No implementing criteria in plan.
Connecticut	Allocation based on poverty population, number of elderly poor, and number of substandard housing units.	Applicants to be processed on first-come-first-served basis.
Delaware	Allocation based on poverty population.	Plan mentions priority to elderly but no implementing criteria provided.
District of Columbia	Not required.	Plan mentions priority to elderly. No implementing criteria provided.
Florida	Allocation based on average local temperatures, the poverty populations, and the number of elderly poor.	Plan mentions priority to elderly but no specific guidance provided.
Georgia	Not defined.	Portion of allocation earmarked for elderly.
Hawaii	Not defined.	Plan mentions priority to elderly. No implementing criteria provided.
Idaho	Not defined.	Plan mentions priority to elderly. No implementing criteria provided.
Illinois	Allocation based on poverty population, number of elderly poor, and average local temperatures.	Plan mentions priority to elderly. No implementing criteria provided.
Indiana	Allocation based on average local temperatures and poverty populations.	Plan mentions priority to elderly. No implementing criteria provided.
Iowa	Allocation based on poverty population, number of elderly poor, and average local temperatures.	Plan indicates elderly households to be served first.
Kansas	Allocation based on poverty population.	Plan mentions priority to elderly. No implementing criteria provided.
Kentucky	Not defined.	Plan mentions priority to elderly. No implementing criteria provided.
Louisiana	Allocation based on poverty population, number of elderly poor, and substandard housing units.	Plan mentions priority to elderly. No implementing criteria provided.

<u>State</u>	<u>Method of allocating funds to local projects</u>	<u>Priority for local projects to use in distributing payments to applicants</u>
Maine	Allocation based on CSA's formula.	Plan established priorities; and elderly with outstanding energy bills received first priority. Applications were to be approved based on priority level.
Maryland	Allocation based on poverty population.	Applicants to be processed on a first-come-first-served basis.
Massachusetts	Allocation based on poverty population.	Portion of allocation earmarked for elderly.
Michigan	Distribution of funds at the State level.	Elderly served first.
Minnesota	Allocation based on poverty population and number of elderly poor.	Plan mentions priority to elderly. No implementing criteria provided.
Mississippi	Allocation based on poverty population.	Plan establishes priority to the elderly first, families with young children next, and then others with outstanding bills.
Missouri	Distributed initially at the State level to elderly only. Subsequent distributions to local projects to serve others were not defined.	Elderly served first through pre-certification mailings from the State. Other low-income families would be certified later by local agencies.
Montana	Allocation based on temperature and population formula.	Plan mentions priority to elderly. No implementing criteria provided.
Nebraska	Allocation based on poverty population, number of elderly poor, and average local temperatures.	Sixty percent of allocation earmarked for elderly.
Nevada	Not defined.	Plan mentions priority to elderly. No implementing criteria provided.
New Hampshire	Allocation based on another assistance program.	Plan mentions priority to elderly. No implementing criteria provided.
New Jersey	Allocation based on poverty population.	Portion of allocation earmarked for elderly.
New Mexico	Allocation based on poverty population, number of elderly poor, and average local temperatures.	No specific guidance in plan.
New York	Allocation based on poverty population, number of elderly poor, and average local temperatures.	Plan mentions priority to elderly. No implementing criteria provided. Welfare recipients excluded from receiving benefits.
North Carolina	Allocation based on poverty population and average local temperatures.	Plan mentions priority to the elderly. No implementing criteria. Only elderly households can receive future credits of up to \$100.
North Dakota	Allocation based on poverty population and number of elderly.	Eligibility limited to elderly and disabled.
Ohio	Allocation based on poverty population and number of elderly poor.	Eligible recipients with power disconnects or outstanding bills. The elderly would be paid first.
Oklahoma	Allocation based on poverty population.	Plan mentions priority to the elderly. No implementing criteria provided. Families without overdue bills receive only \$50.
Oregon	Allocation based on poverty population.	Plan mentions priority to the elderly. No implementing criteria provided.

APPENDIX I

APPENDIX I

<u>State</u>	<u>Method of allocating funds to local projects</u>	<u>Priority for local projects to use in distributing payments to applicants</u>
Pennsylvania	Not defined.	Plan mentions priority to the elderly. No implementing criteria provided.
Puerto Rico	Allocation based on poverty population and number of elderly poor.	Plan mentions priority to the elderly. No implementing criteria provided.
Rhode Island	Allocation based on poverty population.	Twenty-five percent of allocation earmarked for elderly, handicapped, and disabled.
South Carolina	Not defined.	Plan mentions priority to elderly. No implementing criteria provided.
South Dakota	Allocation based on poverty population.	Program limited to elderly, handicapped, and disabled.
Tennessee	Allocation based on poverty population.	No implementing criteria in plan.
Texas	Allocation based on poverty population and number of elderly poor.	Plan mentions priority to elderly. No implementing criteria provided.
Utah	Allocation based on CSA's formula.	Applicants to be processed on a first-come-first-served basis.
Vermont	Allocation based on poverty population and average local temperatures.	No specific guidance in plan.
Virgin Islands	Allocation among the three islands based on the number of auto registrations, drivers licenses, registered voters, and active utility accounts.	Priority to eligible recipients with power disconnects and elderly with outstanding bills of over 60 days.
Virginia	Allocation based on poverty population, number of elderly poor, and average local temperatures.	Fifty percent of allocation earmarked for elderly.
Washington	Allocation based on poverty population and average local temperatures.	No implementing criteria in plan.
West Virginia	Allocation based on poverty population.	Plan mentions priority to the elderly. No implementing criteria provided.
Wisconsin	Allocation based on poverty population, elderly poor, average local temperatures, and anticipated utility shut-offs.	Plan mentions priority to the elderly. No implementing criteria provided.
Wyoming	Allocation based on poverty population and number of elderly poor.	Plan mentions priority to the elderly. No implementing criteria provided.

• SPECIAL CRISIS INTERVENTION PROGRAM

DISBURSEMENTS BY STATE

State	Total allocation	Households certified	Households requesting service	Funds obligated	Percent of total funds obligated	Unobligated funds
Alabama	\$ 2,380,000	16,568	20,801	\$ 2,373,867	99.7	\$ 6,133
Alaska	1,200,000	422	456	79,300	6.6	1,120,700
Arizona	560,000	2,554	3,162	280,000	50.0	280,000
Arkansas	1,980,000	9,159	10,650	1,177,934	59.5	802,066
California	3,380,000	14,212	15,712	667,000	19.7	2,713,000
Colorado	2,680,000	13,050	14,877	2,595,000	96.8	85,000
Connecticut	3,020,000	22,057	26,257	3,020,000	100.0	-
Delaware	840,000	3,376	5,500	840,000	100.0	-
District of Columbia	980,000	3,975	8,330	525,815	53.7	454,185
Florida	1,540,000	13,000	17,000	1,400,000	90.9	140,000
Georgia	2,840,000	19,500	20,400	2,840,000	100.0	-
Hawaii	300,000	2,512	3,169	292,000	97.3	8,000
Idaho	1,380,000	6,252	7,700	1,050,000	76.1	330,000
Illinois	13,640,000	75,000	225,000	13,640,000	100.0	-
Indiana	5,740,000	40,457	46,228	4,005,265	69.8	1,734,735
Iowa	4,300,000	18,107	20,929	4,040,930	94.0	259,070
Kansas	2,120,000	23,409	26,410	1,186,061	56.0	933,939
Kentucky	4,600,000	15,200	22,300	1,360,000	29.6	3,240,000
Louisiana	1,420,000	9,159	8,900	1,350,000	95.1	70,000
Maine	3,140,000	23,000	27,000	3,140,000	100.0	-
Maryland	2,540,000	11,705	15,000	2,490,000	94.1	50,000
Massachusetts	5,120,000	24,619	29,096	4,882,063	95.4	237,937
Michigan	13,260,000	80,013	240,000	13,260,000	100.0	-
Minnesota	8,500,000	35,349	116,667	8,500,000	100.0	-
Mississippi	1,820,000	35,000	37,500	1,770,000	97.3	50,000
Missouri	5,800,000	34,462	42,791	4,017,053	69.3	1,782,947
Montana	1,480,000	1,873	2,181	232,967	15.7	1,247,033
Nebraska	2,300,000	6,483	7,400	1,412,400	61.4	887,600
Nevada	520,000	2,300	2,500	462,000	88.8	58,000
New Hampshire	1,880,000	88,681	12,000	1,800,000	100.0	-
New Jersey	5,080,000	29,000	35,000	5,080,000	100.0	-
New Mexico	1,160,000	8,305	12,327	1,160,000	100.0	-
New York	21,140,000	70,000	80,000	17,500,000	92.8	3,640,000
North Carolina	4,020,000	40,713	45,000	4,020,000	100.0	-
North Dakota	1,760,000	1,800	2,000	495,000	28.1	1,265,000
Ohio	13,300,000	39,282	57,071	8,822,214	66.3	4,477,786
Oklahoma	2,180,000	15,000	22,000	1,469,620	67.4	710,380
Oregon	2,080,000	1,900	2,383	212,000	10.2	1,868,000
Pennsylvania	14,160,000	66,637	94,000	14,160,000	100.0	-
Rhode Island	1,620,000	10,259	14,000	1,620,000	100.0	-
South Carolina	1,640,000	9,000	9,900	750,000	45.7	890,000
South Dakota	1,620,000	1,160	1,295	234,000	14.4	1,385,999
Tennessee	3,480,000	16,854	22,800	3,182,000	91.4	298,000
Texas	4,080,000	12,583	50,000	4,080,000	100.0	-
Utah	1,280,000	7,873	8,023	1,200,000	93.7	80,000
Vermont	1,680,000	5,552	5,552	891,613	53.1	788,307
Virginia	3,280,000	13,705	50,606	3,280,000	100.0	-
Washington	2,860,000	986	1,108	106,963	3.7	2,753,037
West Virginia	2,920,000	11,752	30,000	2,920,000	100.0	-
Wisconsin	7,980,000	32,178	45,800	7,111,466	89.1	868,534
Wyoming	540,000	106	167	10,330	1.9	529,670
Puerto Rico	830,000	4,392	20,244	280,321	33.8	549,679
Virgin Islands	50,000	279	349	28,758	57.5	21,242
	<u>\$200,000,000</u>	<u>1,060,718</u>	<u>1,645,541</u>	<u>\$163,383,941</u>	<u>81.7</u>	<u>\$36,616,059</u>

Community WASHINGTON, D.C. 20506
Services Administration 

December 4, 1978

Gregory J. Ahart
Director, Human Resources Division
U. S. General Accounting Office
441 G Street, N. W.
Washington, D. C. 20548

Dear Mr. Ahart:

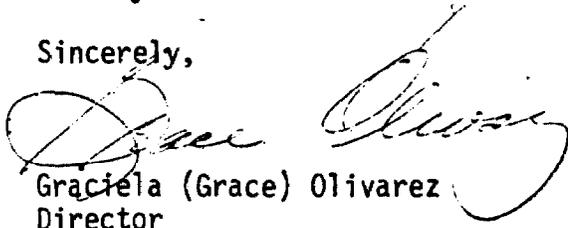
Thank you for the opportunity to comment on your draft report,
"Emergency Payment of Winter Heating Bills for Needy Families--
How Should Federal Programs be Designed and Administered?"

General comments on your overall observations and specific comments
with respect to each of the reported recommendations are enclosed.

Generally, we agree with many of the observations presented in
the body of the draft report, particularly those which identified
time constraints and lack of administrative costs as the two most
important factors contributing to problems in administering the
"Special Crisis Intervention Program." However, there are a number
of statements in the report which we feel may be misunderstood by
those not familiar with the program. We have elaborated on these
in the enclosed comments.

Thank you.

Sincerely,


Graciela (Grace) Olivarez
Director

Enclosure

CSA RESPONSE TO GAO DRAFT REPORT ON SCIP

"Emergency Payment of Winter Heating Bills for Needy Families -
How Should Federal Programs be Designed and Administered?"

I. General Comments

We think it is important at the outset to re-emphasize that the Special Crisis Intervention Program (SCIP) was by intent and design a State Program. Within the rather broad guidelines established by the Congressional intent and the program regulations set out in The CSA Notice and Special Conditions to its grants, the States had authority to carry on the program in the manner they chose, provided of course that the specific safeguards and other Special Conditions were adhered to. This was particularly true with regard to the plans for sub-allocating funds within the states, referred to at page 10 of the Draft Report. It was the position of CSA that the Governors of the States were in the best position to know which areas within their states had been hardest hit the previous winter, and would be most in need of assistance. To this end, in her letter of May 25, 1977 to all Governors, Director Olivarez stated at page 11 that "Review and Approval of State Plans by CSA will be limited to making sure that PLANS include all required elements, and that they are in accord with applicable laws and regulations."

Generally, with regard to the body of the Draft Report, we find ourselves in agreement with most of the points made, particularly in the identification of time constraints and lack of administrative costs as the two most important factors contributing to problems in administering the SCIP program.

However, there are a number of statements which we feel may be misunderstood by those not familiar with the program. At page V of the Digest and at page 12 of the Report the statement is made that "state plans identifying payment methodologies and priorities could not be effectively reviewed and approved by the Community Service Administration within program time constraints." As noted above, CSA's review of State Plans was, in accordance with clear Congressional and Administration intent, limited to making sure that plans included all required elements and were in accordance with applicable law and regulations.

Thus, monitoring of the state funding plans at the regional and headquarters level was confined, from the inception of the program, to ascertainment of the legality of the plan, and its

compliance with the Special Conditions to the SCIP grants. Most Regional Offices were already familiar with the Plans of the State by the time they were submitted for approval, as many of the State Administering Offices worked in conjunction with their CSA Regional Office to develop the State Funding Plan.

Review of the plans may have been basic in some cases; however the review process at both the Federal and Regional levels was never designed to involve more than a check for essential elements.

At page VIII of the Digest it is stated that ". . . many State plans were approved without fully responding to all of the Community Services Administration's requirements". In light of the above discussion, we do not feel that this is an accurate reflection of the plan development and review process which actually took place in the large majority of cases. The fact that in some states some of the safeguards adopted, such as those designed to prevent duplication in payments, did not work, as noted at pages VIII and IX of the Digest, was a matter of the efficacy of the program design, which, as already pointed out was a matter for State determination.

[See GAO note 1, p. 41.]

[See GAO note 1, p. 41.]

Perhaps a more fruitful area for policy development would be in tightening the criteria covering income and program eligibility, with the addition of a definition of need based on percentage of income which goes to utility and fuel bills. Thus, anything in excess of, say, fifteen percent of income, would be considered an emergency, qualifying the applicant for assistance.

The serious problem with such an approach would be the possible disincentive to energy conservation that it would create. We do believe that such an income indexing system, if it can be implemented in a way that does not discourage conservation, may provide the best means to assure that those most in need are assisted.

II. Comments on Recommendations to the Director of the Community Services Administration

1. Develop a clear definition of the types of energy emergencies that should be met with program funds.

We believe that this is desirable, possible, and that in fact, we are well on the way to development of such a definition.

At the same time, we think that it is important to recognize that there are in reality two definitions, which define two distinct types of energy emergency, which in fact require two distinct and quite different types of assistance program.

On the one hand, there needs to be a recognition of the fact that millions of poor and near-poor persons, especially the elderly, do not have the elasticity in their incomes to be able to afford essential energy at today's prices. They are, in effect, in a chronic state of energy emergency much of the time, depending on the season, the climate, the source of their income, the state of their health and the condition of their housing, to name but some of the factors.

A definition of emergency based on some form of income indexing, as discussed above, which could be coupled with the notion of lifeline, i.e. that every household should be entitled to essential energy for basic needs at an affordable price, could well be the basis for the kind of long range income transfer type of assistance, through established structures, that could meet basic needs without creating a disincentive either to paying of utility bills or to conservation of energy.

At the same time, until such a responsive support system is in place, and thereafter for those not tied into the system, or those who for one reason or another -- weather, illness, loss of job, fuel shortage -- find themselves in a situation of energy crisis, there needs to be an on-going program of intervention to prevent hardship or threat to health or life from an energy-related emergency.

It our position that the Community Services Administration, through its network of Community Action Agencies, is best equipped to handle the latter type of program. We believe we have an important role to play in the design and initiation of a responsive income transfer program that will assure adequate energy for basic needs, but not in its implementation. Such a program should be carried out within existing income transfer

structures such as Supplemental Security Income, Social Security, and Welfare.

2. Based on detailed emergencies, develop criteria for state and local programs to use in directing funds to individuals in the greatest need.

We believe that with the kind of definitions of emergency described above that such criteria will in fact exist within the definitions themselves. Income transfer response will be triggered by quantitative criteria which define the emergency in terms of the percentage of income going to the cost of basic energy needs. True Crisis Intervention then takes care of the exceptional case in which a household is in a life- or health-threatening situation. Once either threshold has been crossed, further refinement of degree of need becomes meaningless and the choices such refinement would lead to, no choices at all.

3. Require States to insure that local projects rank and fund individual applications using the criteria.

This is a completely impractical recommendation. It would require local projects to hold applications without approval or disapproval until all applications had been received, which would prevent a timely response to those in greatest need who by definition require the earliest assistance. It would then require projects to rank applications according to need, which is a moral if not intellectual impossibility. Finally, it is a process which, for the above reasons, as well as because it does not permit a prompt and simple determination of eligibility, would quickly destroy the viability and credibility of any community agency.

Furthermore, we believe that with the type of definitions, criteria, and program described above, such a process becomes unnecessary. We believe that the only way any assistance program of this kind can be operated, is on the basis of go - no go eligibility, with the scope and nature of the program determined through the eligibility criteria as we have suggested.

4. Limit future expenditures to costs incurred by recipients during the period of winter emergency.

We believe that where programs are carried out in the winter months rather than during the summer and in the manner we have suggested, this problem takes care of itself. Otherwise, we would only call to your attention the ammendment to the Economic Opportunity Act brought on by Pennsylvavania limiting program eligibility for the EEAP to those presenting outstanding bills.

[See GAO note 1, p. 41.]

7. Establish specific procedures for the regions to follow for overseeing State monitoring and supplementing State efforts where they are insufficient.

We would agree that in any future program administered through the States as was SCIP, such procedures would be desirable and necessary.

8. Provide guidance for a uniform regional review and approval of all State plans and program instructions to local projects to assure consistency among States in eligibility criteria being adopted, outreach efforts being made, disbursement mechanisms used, and other critical program planning elements.

We would only comment that under the SCIP program it was the clear intent of the Congress and the Administration that CSA was not to impose such a uniformity of program design on the States. CSA did make every effort through intensive orientation, in Washington, of all key regional staff, to assure the greatest possible uniformity of interpretation of CSA regulations and conditions. And extensive communication was carried on between States, regions, and CSA headquarters during the operational phase of the program with the same goal in mind.

III. Recommendations to the Congress

CSA believes that there is an urgent need for thoughtful and creative planning by concerned federal agencies and appropriate members of the Congress to design an effective long-range plan for dealing with the critical energy needs of the poor. We are also convinced that any income transfer assistance program implemented as a result of such planning, will always have to be supplemented by a true Crisis Intervention program which should be operated by CSA through Community Action.

- GAO notes:
1. Deleted comments refer to material contained in the draft report which has not been included in our final report.
 2. Page references in this appendix may not correspond to page numbers in the final report.



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